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March 22, 2010

PUBLIC UTILITIES
COMMISSION

HAND DELIVER

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, Room 103
Honolulu, HI 96813
Attention: Michael Azama, Esq.

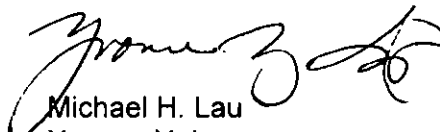
RE: Docket No. 2009-0048 - In the Matter of the Application of Molokai Public Utilities, Inc. ("MPU"), for review and approval of rate increases; revised rate schedules; and revised rules: Response to PUC-IR-107

Dear Chairman, Commissioners and Commission Staff:

In response to PUC-IR-107, dated March 16, 2010, enclosed are MPU's revenue requirement schedules in the requested format.

Thank you for your consideration in this matter. If you should have any questions, please do not hesitate to contact the undersigned.

Very truly yours,



Michael H. Lau
Yvonne Y. Izu

Morihara Lau & Fong LLP
Attorneys for Molokai Public Utilities, Inc.

Enclosures

c w/enclosures:

Consumer Advocate
Margery S. Bronster/Jeanette Castagnetti, Esq. (COM)
William W. Milks, Esq. (WMA)
James J. Bickerton, Esq. (MPL)

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Molokai Public Utilities, Inc.
Revenue Requirements & Rate of Return Summary
Test Year Ending June 30, 2010

Line #		[1] As Filed Present Rates	[2] Rebuttal Adjustments Per MPU-R-1	[3] Revised Revenue Increase	[4] Proposed Rates at 2.00% Sum [1 to 3]
1	Monthly Customer Charge	\$53,228	(\$540)	\$91,761	\$144,449
2	Water Usage Charge	385,410	277	665,298	1,050,985
3	Other	0			0
4	Connection Fees	0			0
5	Late Fees	1,200	100		1,300
6					
7	Total Operating Revenues	439,838	(163)	757,059	1,196,734
8	Labor, Payroll Taxes & Employee Benefits	209,865	(15,980)		193,885
9	Electricity Expend	282,524	(128,675)		153,849
10	Fuel Expense	231,067	(31,180)		199,887
11	Department of Agri - Rental/Service	144,456	(7,959)		136,497
12	Cost of Sales	0	0		0
13	Materials & Supplies	85,583	0		85,583
14	NOT USED	0			0
15	Affiliated Charges	9,600			9,600
16	Professional & Outside Services	14,137			14,137
17	Repairs & Maintenance	65,812			65,812
18	NOT USED	0			0
19	Insurance	13,000			13,000
20	Regulatory Expense	55,000	70,794		125,794
21	General & Administrative	13,318			13,318
22	Other	0			0
23	Other	0			0
24	Total O&M Expenses	1,124,363	(113,000)	0	1,011,363
25	Taxes, Other Than Income	28,084	(10)	48,338	76,411
26	Depreciation	92,479	(8,001)		84,478
27	Amortization	0	0		0
28	Income Taxes	(306,912)	306,912		0
29	Diff. due to changing factors				
30	Total Operating Expenses	938,014	185,901	48,338	1,172,253
31	Operating Income	(\$498,176)	(\$186,064)	\$708,721	\$24,481
32	Average Rate Base	\$996,161			\$1,191,172
33	Return on Rate Base	-50.01%			2.06%
34	Target ROR	2.00%			
35	Increase in ROR	-52.01%			
36	Increase in NOI	518,099			
37	Gross Revenue Conversion Factor	1.71060			
38	Increase in Revenues	\$886,260	\$886,423		
39	Percent Increase in Revenue		201.50%		

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Molokai Public Utilities, Inc.
Income Tax Expense
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Line #	Description		Taxable Amounts			[4]	Income Taxes		Difference in Income Tax Calculations
		Tax Rates	Present Rebuttal	Revenue Increase	Proposed Rates	Present Rates	Revenue Increase	Proposed Rates	[4] + [5] - [6]
			Adjustments Per MPU-R-1						
1	Total Revenues					439,838	756,896	1,196,734	
2	Total Operations & Maintenance Expenses					1,124,363	(113,000)	1,011,363	
3	Depreciation					92,479	(8,001)	84,478	
4	Amortization					0	0	0	
5	Taxes Other than Income Taxes					28,084	48,328	76,411	
6	Total Operating Expenses					1,244,926	(72,673)	1,172,253	
7	Operating Income before Income Taxes					(805,088)	829,569	24,481	
8	Interest Expenses					-	-	-	
9	State taxable Income					(805,088)	829,569	24,481	
10	State income Tax	Less:							
11	less than \$25K	0.0%	(25,000)	25,000	24,481	0	0	0	
12	Over \$25K, but less than \$100K	0.0%	(75,000)	75,000		0	0	0	
13	Over \$100K	0.0%	(705,088)	729,569		0	0	0	
14	State Income Tax	0.0%				0	0	0	-
15	Federal taxable income					(805,088)	829,569	24,481	
16	Federal income tax								
17	less than \$50K	0.0%	(50,000)	50,000	24,481	0	0	0	
18	Over \$50K, but less than \$75K	0.0%	(25,000)	25,000		0	0	0	
19	Over \$75K, but less than \$100K	0.0%	(25,000)	25,000		0	0	0	
20	Over \$100K, but less than \$335K	0.0%	(235,000)	235,000		0	0	0	
21	Over \$335K	0.0%	(470,088)	494,569		0	0	0	
22	Federal Income Tax					0	0	0	-
23	Total Federal and State income taxes					\$0	\$0	\$0	\$0
24									
25	Effective Tax Rate					0.0000%	0.0000%	0.0000%	
26	State					0.000%	0.000%	0.0000%	
27	Federal					0.000%	0.000%	0.0000%	

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Molokai Public Utilities, Inc.
Taxes Other Than Income Taxes
Test Year Ending June 30, 2010

Line #	Description	[1] Revenues at Present Rates	[2] Revenues at Proposed Rebuttal Adjustments Per MPU-R-1	[3] Taxes at Tax Rates	[4] [4] Present Rates	[5] Taxes at Proposed Rates
	Revenue Taxes				Sum [1 to 3]	
1	Public Company Service Tax (Pursuant to HRS § 239)	\$439,838	\$1,196,734	5.885%	\$25,884	\$70,428
2	Public Utility Fee (Pursuant to HRS § 269-30)	439,838	1,196,734	0.500%	2,199	5,984
3	Franchise Tax (applicable to electric companies only) (Pursuant to HRS § 240)			2.500%		
4	Total Revenue Taxes				28,084	76,411
	Other Taxes					
5	Name					0
6	Total Other Taxes				0	0
7	Total Taxes Other Than Income Taxes				\$28,084	\$76,411

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Molokai Public Utilities, Inc.
Average Rate Base
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]
		At June 30, 2009	At Rebuttal	Average
	Plant In Service	\$6,575,783	\$6,590,283	\$6,583,033
1	Accumulated Depreciation Reserve	5,423,211	5,507,690	5,465,450
2	Net Plant-in-Service	1,152,572	1,082,594	1,117,583
	Deduct:			
3	Net Contributions in Aid of Construction	0	0	0
4	Customer Advances	0	0	0
5	Customer Deposits	(10,691)	(10,691)	(10,691)
6	Accumulated Deferred Taxes: Federal	0	0	0
7	Accumulated Deferred Taxes: State	0	0	0
8	Unamortized Hawaii General Excise Tax Credit	0	0	0
9	subtotal	(10,691)	(10,691)	(10,691)
	Add:			
10	Working Capital	84,280	84,280	84,280
11	Retirements	0	0	0
12	subtotal	84,280	84,280	84,280
13	Total at End of Year	\$1,226,161	\$1,156,183	
14	Average Rate Base For Test Year			\$1,191,172

Test Year Ending June 30, 2010
Rates at Present, Temporary and Rebuttal Revenue Levels
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
			# of Cust Bills Or Water Usage	Base Rates Effective 8-1-03			Temporary Rates Effective 9-1-08			Rebuttal Rates		
Line #	Description	Meter Size		Monthly Rate	Annual Revenue [2] * [3]	Total Revenue	Monthly Rate	Annual Revenue [2] * [6]	Total Revenue	Monthly Rate	Annual Revenue [2] * [9]	Total Revenue
1	Rate Increase Percent									192.387%		
Monthly Customer Charge												
2	# of Customers (250)	5/8" Meter	2,350	\$11.25	\$ 26,438		\$11.25	\$ 26,438		\$ 33.00	\$77,550	
3	# of Customers (251)	1.0" Meter	12	\$15.00	180		\$15.00	180		\$ 44.00	528	
4	# of Customers (253)	1.5" Meter	12	\$22.50	270		\$22.50	270		\$ 66.00	792	
5	# of Customers (254)	2.0" Meter	36	\$37.50	1,350		\$37.50	1,350		\$ 110.00	3,960	
6	# of Customers (255)	3" Meter	26	\$75.00	1,950		\$75.00	1,950		\$ 219.00	5,694	
7	# of Customers (257)	6" Meter	60	\$225.00	13,500		\$225.00	13,500		\$ 658.00	39,480	
8	# of Customers (258)	8" Meter	24	\$375.00	9,000		\$375.00	9,000		\$ 1,096.00	26,304	
9	Sub-Total		2,520			\$52,688			\$52,688			\$154,308
											192.387%	
Water Usage Charge												
10	Water Use for Test Year (000 gallons)		103,900	\$ 3.18	330,402		\$ 6.04	627,556		\$9.2979	966,052	
11	Water Delivered to Wai'ola at Kualapuu Tap		22,900	\$ 1.1250	25,763		\$ 1.1250	25,763		\$3.2894	75,327	
12	Total Water Sales		126,800									
13	Usage Revenue					356,165			653,319			1,041,379
14	Total Revenue					\$408,853			\$706,007			\$ 1,195,687
											Late Fees	1,300
											Rounding	(253)
											Total	\$ 1,196,734